

## Message Text

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43

ACTION AGR-20

INFO OCT-01 EUR-25 IO-13 ISO-00 EB-11 COME-00 CIAE-00

INR-10 NSAE-00 RSC-01 DRC-01 SSO-00 INRE-00 /082 W

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O R 071610Z SEP 73

FM AMEMBASSY ROME

TO SECSTATE WASHDC IMMEDIATE 644

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

USMISSION GENEVA

USMISSION OECD PARIS

USMISSION EC BRUSSELS

AMCONSUL MILAN

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E.O. 11652: ADS DECLAS SEPT. 15, 1973

TAGS: EAGR IT

SUBJECT: FOOD AND FEED GRAINS ITALY

STATE PASS AGRICULTURE

REF: (A) ROME 8839 (B) ROME 8377 (C) STATE 171515

1. SUMMARY: PRESENT TIGHT WORLD SUPPLY SITUATION AND EXPECTATIONS FOR FUTURE CAUSE STRUCTURAL CHANGES AND NEW APPROACHES TOWARDS GRAIN POLICY WITHIN COMMUNITY WHICH MAY PROVE DETRIMENTAL TO FUTURE US GRAIN EXPORTS. ENDU SMMMARY.

2. TAKING INTO ACCOUNT OLD CONTRACTS AS WELL AS NEW PURCHASES OF ONLY A TOTAL OF 150,000 M.T. DURUM WHEAT FROM ARGENTINE,  
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SPAIN AND TURKEY, (MOST OF THIS WHEAT EITHER ALREADY STORED IN

ITALY OR ON WAY TO ITALY), ITALY STILL SHORT 450,000-600,000 M.T. DURUM WHEAT UNTIL AUGUST 1974. ONLY SOURCE OF SUPPLY THIRD COUNTRIES. RUMOR THAT ITALY WILL BE ABLE TO BUY 200,000 M.T. OF DURUM WHEAT CONTINUES TO CIRCULATE IN ITALIAN PRESS AND OTHERWISE. NO DOUBT THIS IS BEING ENCOURAGED TO STIMULATE SPECULATORS INTO UNLOADING STOCKS.

3. AIMA (GOI) WAS ABLE TO SHAKE LOOSE SOME CONTRACTS FOR DURUM FROM SPECULATORS, WHO UNLOADED WHEN GOI ANNOUNCED ITS MAXIMUM SALES PRICE FOR DURUM AT LIRE 11,000 BUT BOUGHT PAYING UP TO LIRE 16,000/TON.

4. ITALY FIRST BOUGHT 200,000 M.T. SOFT WHEAT FROM FRANCE, THEREAFTER ANOTHER 200,000 M.T. FROM COMMUNITY (I.E. SOFT WEAT STORED IN GERMANY, BELGIUM AND FRANCE).

5. WE SEE TWO DANGERS HANGING OVER CORN: (A) ART. 4, BIS EC/NO 974/71 STIPULATES THAT COMPENSATORY PAYMENTS TO EQUALIZE EFFECTS OF CURRENCY DEVALUATION CANNOT EXCEED LEVY AMOUNT. ON THAT BASIS ITALY SHOULD TODAY RECEIVE LIRE 11,374/TON COMPENSATORY PAYMENTS ON SOFT WHEAT AND LIRE 12,696/TON ON DURUM. ACTUALLY RECEIVES NOTHING BECAUSE OF ABOVE MENTIONED STIPULATION. GOI HAS PROPOSED TO EEC MAKING ART 4 (ETC) ONLY APPLICABLE TO IMPORTS FROM THIRD COUNTRIES AND NOT INTRA-COMMUNITY TRADE. THIS WOULD, IF ACCEPTED, PUT FRENCH CORN TODAY IN A \$20/TON ADVANTAGE OVER THIRD COUNTRY CORN. WE WOULD ALSO LOSE ONE OF STRONGEST NEGOTIATING POINTS WHICH WE FOR YEARS SHARED WITH GOI. (B) FEED GRAINS PRICES PRESENTLY QUOTE ABOVE THRESHOLD PRICES AND ALSO CLOSE TO INTERNAL WHEAT PRICE. CONSEQUENTLY IF WHEAT, BECAUSE OF GOI ACTION TO PUSH PRICES DOWN, BECOMES CHEAPER THAN CORN AND OTHER FEEDGRAINS, WHEAT WOULD FLOW TO FEED USE UNLESS GOI INITIATES TIMELY TIGHT REGULATIONS ON FEEDGRAINS. GOI ALREADY BURDENED WITH WHEAT PROBLEMS SEEMS HARDLY IN POSITION TO ALSO TAKE ON FEED GRAINS AT THIS MOMENT.

6. GOI SEEMS TO HAVE STATED TO EEC THAT IT EXPECTS HELP FROM FEOGA, NOW THAT THE TIDE HAS TURNED AFTER SO MANY YEARS OF ITALY PAYING INTO FEOGA THROUGH LEVIES AND OTHERWISE. VOLPE

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